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CONFIDENTIAL

5 SEP 1957

MEMORANDUM FOR: Chief, Supply Division,
Office of Logistics

FROM : Chief, Technical Accounting Staff,
Office of the Comptroller

SUBJECT : Application of Excise Taxes and Trade
Discounts in Establishing Unit Prices
for Materiel Procured

1. It has come to our attention that Federal Excise Taxes and Trade Discounts have not been considered in the establishment of fixed unit prices for materiel procured. Insofar as these items are normally substantial "percentage-wise" and can ordinarily be identified at the time material is recorded, it is our opinion that they should be considered in the establishment of fixed unit prices.

25X1

2. Accordingly, it is recommended that in the establishment of fixed prices for future acquisitions recognition be given to additional costs resulting from excise taxes paid and reductions of costs resulting from trade discounts. As in the past, overhead, transportation and cash discounts should not be considered in the establishment of fixed unit prices.

3. We shall be happy to discuss this matter with you at your convenience.



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WMS *WMS*
TAS/WMS/mlc(6 September 1957)

Distribution:

Orig. & 1 - Addressee
1 - TAS Subject ✓
1 - TAS Reading
1 - TAS Chrono

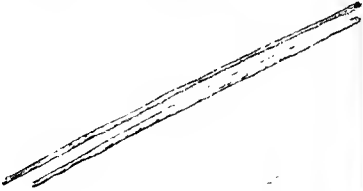
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JOB NO.

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM			
UNCLASSIFIED		<input checked="" type="checkbox"/> CONFIDENTIAL	<input checked="" type="checkbox"/> SECRET
CENTRAL INTELLIGENCE AGENCY OFFICIAL ROUTING SLIP			
TO	NAME AND ADDRESS	INITIALS	DATE
1		<i>JWG</i>	9 Aug 57
2		<i>MD</i>	12 Aug 57
3		<i>Wmo</i>	1 Aug 57
4	1 to 2 + 3		
5	Let's discuss this note		
6	after you read		
ACTION		DIRECT REPLY	PREPARE REPLY
APPROVAL		DISPATCH	RECOMMENDATION
COMMENT		FILE	RETURN
CONCURRENCE		INFORMATION	SIGNATURE
<p>Remarks: <i>and I met with</i></p> <p><i>of the Office of Logistics and</i></p> <p><i>discussed the method of arriving at the</i></p> <p><i>fixed unit price on paper used by</i></p> <p><i>MRD. [] advised that the fixed</i></p> <p><i>unit price is based on gross prices. He</i></p> <p><i>also stated that Logistics did not charge</i></p> <p><i>the using elements for excise taxes,</i></p> <p><i>transportation and handling charges or other</i></p> <p><i>overhead expenses. Therefore Logistics did not</i></p> <p><i>give credit for trade discounts, cash</i></p> <p><i>discounts, etc.</i></p> <p><i>[] is of the opinion that this</i></p> <p style="text-align: right;">(over)</p>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
			9 Aug 57
UNCLASSIFIED		<input checked="" type="checkbox"/> CONFIDENTIAL	<input checked="" type="checkbox"/> SECRET

method of pricing should be changed. [redacted] *stated that to base the method of computing the fixed unit price on net prices would result in additional work on the part of his office. He requested that I obtain an opinion from you on this matter.*



TRANSMITTAL SLIP

2 Aug. 1957

TO	[REDACTED]	INITIAL
ROOM	[REDACTED]	

REMARKS:

[REDACTED] agrees with the memo, however, he feels that MRU and not Logistics should receive credit for discounts. (See #1a).

FROM	[REDACTED]	
ROOM NO.	[REDACTED]	EXTENSION

STATINTL

Approved For Release 2002/07/12 : CIA-RDP79-00065A000200040015-9

Approved For Release 2002/07/12 : CIA-RDP79-00065A000200040015-9

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MEMORANDUM FOR: Chief, Technical Accounting Staff

FROM : A Member of TAS

SUBJECT : Investigation Regarding Credits for Discounts on Procurement of IBM Supplies and Credits for Turn in of IBM Control Panels

1. Investigation of the processing of documents involving trade discounts on the procurement of IBM supplies disclosed the following:

a. All procurement of IBM supplies (cards, paper, etc.) is made from Logistics Allotment Account No. 6807-10-000. In view of the foregoing the Machine Records Division obligates its Property Authorization for the procurement of IBM supplies and forwards the requisition or purchase order to the Office of Logistics. The Office of Logistics obligates its procurement allotment (No. 6807-10-000) based on net prices. Upon receipt of the materiel and subsequent issue to the Machine Records Division the Office of Logistics charges the Machine Records Division's allotment (No. 6813-10-000) for cost purposes based on gross prices. }

b. The Agency receives credit for return of control panels, however, since such credit is a refund of fees for personal services and not a sale of personal property is not applicable. When the Agency requests control panels from IBM Corp. the Agency is charged an installation fee and does not purchase the panels. Upon the turn in of old control panels for new control panels the IBM Corp. allows a percentage of the original installation fee as a credit on the cost of installation of the new control panels based on the condition of the old panels being returned. The Fiscal Division charges the current year allotment for the gross cost of installation charges. The credit for return of the old panels is credited to the original allotment charged with the cost of installation. In the event Fiscal Division is unable to identify the fiscal year in which the original expenditure was made the credit is recorded to the allotment for the fiscal year in which credit is received.

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2. In view of paragraph 1b above, I informed [redacted] that the Machine Records Division's Allotment (No. 6318-10-000) for fiscal year 1957 was being credited in the amount of \$1,837.00 for the return of control panels. The credit was given by the IBM Corp. on 21 June 1957 and is being processed by the Fiscal Division on 30 July 1957.

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TAS/LLM/mlc(1 August 1957)
Distribution:

Orig. - Addressee ✓
1 - TAS Chrono
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IBM ACCESSORIES

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Page 1

CONTROL PANELS

IBM Control Panels, in addition to those furnished as standard with a machine, may be ordered at the Single Use-Charges indicated below.

When ordering additional control panels, specify:

1. Whether or not a complement of wires is desired with each panel.
2. Color of machine, black or gray with which the panels will be used.
3. Machine type and serial number and the following information if applicable:

Types 402, 403, 407 and 419.....Indicate Model code.

Types 405 and 416.....Indicate Model code, also whether single or triple position selectors.

Types 513, 514, 519 and 528.....Indicate Model code.

Type 557Indicate 80 or 51 column machine; also whether Print Entry Control, Proof Device, or both, are installed.

Type 601.....Indicate Model code and whether additional cross-footing is installed.

Types 604 and 607.....Indicate Model code and number of program steps.

Type 858Indicate Model code. In addition, indicate Type and Model code of additional units.

All control panels remain the property of International Business Machines Corporation and those furnished as standard equipment with a machine are to accompany the machine when it is returned to IBM.

When control panel replacement is necessitated by the replacement of a machine by another of the same general type, a credit will be granted for a returned panel equivalent to the amount of the charge made at the time of its installation but not in excess of the amount of the charge for the replacement panel, provided:

- (1) panels are exchanged on a one for one basis;
- (2) control wires, if originally furnished, are returned with the panel; and,
- (3) the replaced panel is returned within 12 months of the date the replacement was shipped.

Manual and Fixed Set-Up Control Panels

Panel Type	Description*	For Use in Conjunction with Machine Type	Manual Set-Up			Fixed Set-Up		
			Single Use-Charge	Mfr's. Exclse Tax	Total	Single Use-Charge	Mfr's. Exclse Tax	Total
901	Single Section, 20-Hub	43, 44, 63, 77, 89, 285, 513, 514, 517, 518, 522, 523, 549, 550, 551, 552, 601	\$42.00	\$4.20	\$46.20	\$30.00	\$3.00	\$33.00
904	Single Section, 22-Hub	854, 856	—	—	—	30.00	3.00	33.00
902	Double Section, 20-Hub	285	42.00	4.20	46.20	30.00	3.00	33.00
903	Triple Section, 20-Hub	405, 416	66.00	6.60	72.60	54.00	5.40	59.40
913	Triple Section, 22-Hub	402#, 403, 417#, 419...	88.00	8.80	96.80	78.00	7.80	85.80

* Hubs for horizontal row of each section.

For standard Type 402 and Type 402-417 (Model BB) Accounting Machine component of Card-Programmed Electronic Calculator.

Where the installation of special devices on Type 285 necessitates the use of Double Section Control Panels, additional panels will be supplied at prices applicable to Single Section Control Panels.

Direct Contact Control Panels

This is a dual purpose panel using self-contacting wires. It may be wired for either fixed or manual set-ups, or a combination of both. The difference between a fixed and temporary set-up is in the type of wire which is used. When ordering this type of control panel, specify the type of wires desired, fixed or manual.

Panel Type	Description*	For Use in Conjunction with Machine Type	Single Use-Charge	Mr's. Excise Tax	Total
911	Single Section, 22-Hub	46, 47, 526, 604†, 939..	\$ 42.00	\$ 4.20	\$ 46.20
912	Double Section, 22-Hub	519, 521, 527, 557, 602, 602A, 858, 938	48.00	4.80	52.80
908	Double Section, 32-Hub	101	78.00	7.80	85.80
908	Double Section, 32-Hub	533 (650)	78.00	—	78.00
908	Double Section, 40-Hub	535, 605††, 607.....	78.00	7.80	85.80
914	Triple Section, 22-Hub	528, 529	60.00	6.00	66.00
910	Four Section, 40-Hub	407, 412##, 418##, 608..	160.00	16.00	176.00

* Hubs for horizontal row of each section.

† For Type 604 Model 1 and Type 604 Model 3 (component of Card-Programmed Electronic Calculator).

†† For Type 605 Model 1 (component of Card-Programmed Electronic Calculator).

For Type-412-418 (Model A1) Accounting Machine component of Card-Programmed Electronic Calculator.

FACSIMILE POSTING MACHINE STAND

Field Installation Only On: Type 954*.

*Furnished as standard on machines shipped from the factory after November 3, 1954.

Purpose: To provide a stand of modern appearance for the Type 954.

Description: The new stand is of the same general size as the one previously furnished but in addition the sides are enclosed and a modesty skirt added. A newly designed hinged shelf folds flat on each side when not in use.

Price:	Single Use-Charge	Mr's. Excise Tax	Total
	\$50.00†	\$5.00	\$55.00

† This charge is made only when a new stand is ordered to replace the old style stand of an installed machine.

Specify: Machine type and serial number.

method of transportation is to be furnished to Contractor prior to shipment of the machine. Such authorization shall be indicated either on the Government bill of lading or in the form of a letter signed by the proper authority to grant such authorization.

9. The Government is to furnish such labor as may be necessary for packing and unpacking the machines when in possession of the Government; the packing and unpacking, however, are to be supervised by Contractor's representative. No extra charge, time or expense is charged for Contractor's representative to install the machines or to supervise the packing for return, even though outside Contractor's service area.

10. During the period that the machines are installed in offices and establishments of the Government, the Government is relieved of responsibility for loss or damage thereto caused by fire, lightning, sprinkler leakage, tornado, windstorm, water damage, explosion, smoke and smudge, aircraft and motor vehicle damage, earthquake, collapse of buildings or structures, strikes, riots and civil commotion or any loss or damage not due to the negligence of the Government in caring for machines so installed. The Government is to use reasonable care in safeguarding the machines installed so that they are returned to the Contractor in as good condition as when received, normal wear and tear excepted.

11. The Government may discontinue any machine 30 days after receipt by the Contractor of a written notice specifying the serial number of the machine.

12. All machines are to remain the exclusive property of the Contractor and may be removed by the Contractor at any time after termination of the contract.

13. Upon prior written notice to the Contractor, alterations in or attachments to the machines may be made. If the alteration or attachment interferes with the normal and satisfactory operation or maintenance of any of the machines in such manner as to increase substantially the cost of maintenance thereof, the Government will, upon notice from the Contractor to that effect, promptly remove the alteration or attachment and restore the machines to their normal condition.

14. Devices and accessories furnished as standard equipment with a machine are to accompany the machine when it is returned to the Contractor.

15. Unattached single use-charge items useable with a like machine and furnished by the Contractor in addition to standard equipment may be used by the Government in connection with any machine supplied by the Contractor. The Government may establish central locations within the continental limits of the United States as supply depots for such items.

16. The standard monthly service charges are subject to an educational contribution when the machines are installed at a qualified Government educational institution empowered to confer a bachelor's degree or higher, or offering accredited courses of study which may be applied towards such a degree. The contribution rate is 20% for Electric Accounting Machine service and 16 2/3% for Test Scoring machine service. The contribution is not applicable to single use-charges. Machines will be billed at standard monthly rates less the applicable educational contribution. Machines installed on a temporary basis are not subject to educational contribution.

SUMMARY OF TERMS AND CONDITIONS OF CONTRACT

Summarized Terms and Conditions under which IBM Machine Service comprising the use of its equipment, devices, auxiliary and complementary equipment (hereinafter referred to as machines), manual of operation and instruction in the operation of the machines, are available to executive departments, independent establishments and agencies of the Federal Government within the continental limits of the United States, Alaska, Hawaii, Canal Zone, Puerto Rico and of the Government of the District of Columbia (hereinafter referred to as the Government) during the period September 1, 1956 through June 30, 1957.

1. Orders issued should refer to Contract No. GS-00S-2989, Item 54-R-4246, and to machines in abbreviated descriptions set out in Summary of Prices. Shipments will be made within four to thirty months after date order is received.

2. The Government is to furnish a suitable place of installation and the required electric current to operate the machines. Any additional facilities to be furnished by the Government are specified in IBM Installation Manuals.

3. All machines are to be installed, serviced and maintained in first class operating condition without charge to the Government except charges for repairs or replacements arising from the negligence of the Government or replacement of ribbons and supplies. For this purpose Contractor's representatives shall have full and free access to the machines.

4. Cards used to operate the machines are to meet the necessary specifications set forth in Schedule B of the catalog.

5. Monthly charges are to commence in each case on the day following that on which each machine is installed ready for use. Machines shipped to Puerto Rico, the Canal Zone, Hawaii, and Alaska, where Government transportation is used for all or part of the movement, will be considered to be installed on the date following that on which each machine is ready for use or ninety (90) days after date of shipment, whichever occurs sooner. Charges for fractional parts of a calendar month are to be computed at the rate of 1/30th of the monthly charge for each day the machines are installed ready for use, except that a machine installed to replace another machine will be billed for the number of days such machine is installed ready for use through the last calendar day of the month and the replaced machine will be billed for its monthly charge less 1/30 of such charges for each day billed for the new machine. This method of computation will be made for each calendar month of the contract year. All charges are due when billed and are payable to Contractor at address shown on invoice.

6. The monthly charges include the use of machines by only one shift of clerks. When any machine is used by more than one shift of clerks, an additional charge equal to 50% of the specified total monthly charge is to be paid for the period that such machine is so used. Calculations of such extra charges are to be in accordance with Schedule C.

7. When Federal, State, Territorial, Municipal or other local taxes (Excise, Sales, Use, Compensating, Occupational, Gross Income, Gross Receipts, etc.) are levied or based on (or payable by the Contractor in respect of) the charges provided herein, amounts are to be added to the total charges equivalent to such taxes. In the event such additional charges are made, the Government is to pay such increases in charges equal to such taxes. The Government of the District of Columbia, or its agencies, may deduct from each total monthly charge specified herein, the Manufacturer's Federal Excise Tax, provided there is furnished to the Contractor by the Government of the District of Columbia, or its agencies, properly executed tax exemption certificate or certificates in lieu of payment of such taxes.

8. Transportation, rigging and drayage charges on all shipments including the return of machines to Contractor are to be paid by the Government, excepting charges for a shipment made for the convenience of the Contractor and not caused by the fault or negligence of the Government; provided, however, that the Government is not obligated to pay the charges upon empty packing cases required for the return of the machines or more than the cost of a shipment had it been from or to Contractor's factory. Shipments of machines are to be made either on Government bills of lading or on a prepaid basis with charges invoiced to and paid by the Government. Certain machines, as indicated herein, require shipment by padded van or air freight and authorization for this

P.O. #	Voucher	Approved	Reported	Obligated	Charged
9/10-57-1134	V-1865-57	994D-217-57	18.92	(disc. 5% = .95 not allowed)	18.92
9/14-57-1237	V-2023-57	994D-242-57	5848.82	(" 11% = 643.37 (311.86 not allowed)	5517.31
9/21-57-2355	V-3067-57	994D-351-57	429.21	(" 8% + additional charges etc. allowed)	338.56
10/1-57-2551	V-4241-57	994D-405-57	275.85	(disc 8% etc. allowed)	169.84
9/27-57-2495	V-4259-57	994D-473-57	3405.62	(disc 10% = 340.56 not allowed)	3405.62
10/3	V-4800-57	994D-507-57	807.88	(disc 5% = 40.39 " ")	807.88
11/1		994D-637-57	37.84	(" 5% = 1.89 " ")	37.84
11/15	57-3950	V-6491-57	994D-658-57	3684.15 (" 11% = 405.26 " ")	3684.15
11/21		V-7042-57	994D-695-57	321.37 (" 8% + charges allowed)	262.13
11/25	57-5862	V-9457-57	994D-908-57	1387.80 (" 10% = 138.78 (123.86 not allowed)	1372.88
11/24		V-1001-57	994D-942-57	2379.22 (" 11% = 261.71 not allowed)	2379.22
2/11		V-10623-57	994D-1018-57	171.35 (" 8% + charges allowed)	79.42
2/26	57-7141	V-11442-57	994D-1086-57	4532.02 (" 20% = 1100.00 not allowed)	5673.79
5/1		V-15157-57	994D-1348-57	3190.74 (" 11% = 350.98)	

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